

Message Text

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ACTION TRSE-00

INFO OCT-01 ARA-06 EUR-12 EA-07 ISO-00 SP-02 AID-05 EB-07

NSC-05 CIEP-01 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03

LAB-04 SIL-01 L-03 H-02 PA-01 PRS-01 IO-10 /110 W

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R 301735Z OCT 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 6012

INFO AMEMBASSY TOKYO

AMEMBASSY CANBERRA

AMEMBASSY MADRID

AMEMBASSY OTTAWA

AMEMBASSY JAKARTA

AMEMBASSY BRASILIA

AMEMBASSY STOCKHOLM

AMEMBASSY BRUSSELS

AMEMBASSY PARIS

AMEMBASSY BONN

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY COPENHAGEN

USMISSION EC BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 16601

PASS TREASURY FOR EDGAR GORDON

E.O. 11652: XGDS-1

TAGS: EAID, EFIN, UK

SUBJECT: IFC CAPITAL REPLENISHMENT

REF: A) STATE 242712 B) STATE 254120

1. EMBASSY IS GRATEFUL TO WASHINGTON FOR ADDITIONAL SUP-
PORTING MATERIAL PROVIDED IN REF B. ON BASIS OF TWO REF-
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TELS, FINANCIAL ATTACHE PREPARED AIDE MEMOIRE WHICH HE

USED AS BASIS OF DETAILED DISCUSSION WITH MALCOLM WIDDUP, UNDER SECRETARY, H.M. TREASURY, AND TOM BURGNER, ASSISTANT SECRETARY, H.M. TREASURY, ON OCTOBER 29. WIDDUP IS RESPONSIBLE IN H.M. TREASURY FOR IBRD AND IFC. FINANCIAL ATTACHE ASKED WIDDUP TO MAKE SURE COPIES OF AIDE MEMOIRE WERE DISTRIBUTED TO OVERSEAS DEVELOPMENT MINISTRY, FOREIGN OFFICE AND BANK OF ENGLAND IN ORDER TO UNDERLINE THROUGHOUT HMG IMPORTANCE THAT U.S. ATTACHES TO THE IFC CAPITAL REPLENISHMENT.

2. WIDDUP, IN REPLY, SAID THE U.K. WOULD NOT WANT TO IMPEDE FURTHER DEVELOPMENT OF IFC FACILITIES BUT WHETHER OR NOT H.M. GOVERNMENT ITSELF TAKES PART IN THE REPLENISHMENT REMAINS UNDECIDED. MUCH WILL DEPEND ON RESPONSE TO BE GIVEN BY IFC OFFICIALS WHO VISITED LONDON LAST WEEK TO DETAILED QUESTIONS RAISED BY THE U.K. U.K. WAS NOT IMPRESSED BY IFC OFFICIALS' PRESENTATION AND PROPOSALS, FELT THAT TOO MANY QUESTIONS ABOUT THE POTENTIAL EXPANSION REMAINED UNANSWERED. UNTIL IFC DOES IN FACT GIVE MORE DETAILS AND ANSWERS TO SPECIFIC QUESTIONS THAT HAVE BEEN POSED, INTERNAL CONSIDERATION IN HMG WILL REMAIN IN ABEYANCE. ONE POINT TROUBLING HMG IS MINIMAL ADDITIONAL SUBSCRIPTION BEING REQUESTED FROM OPEC COUNTRIES, WHICH IS LESS THAN HALF THAT REQUESTED FROM THE UK WITH RESULTING OPEC VOTING PERCENTAGE 4.3 PERCENT AND THAT OF THE U.K. 10.3 PERCENT. INFORMAL COMMENTS FROM WIDDUP AND BURGNER INDICATED THAT THESE TYPE NUMBERS SIMPLY DO NOT REFLECT THE FACTS OF LIFE.

3. WIDDUP SAID UK PLACES A FAR GREATER PRIORITY IN ASSISTING IDA THAN IN ASSISTING IFC. A MAJOR UK AIM IS TO CHANNEL FUNDS TO THE POOREST COUNTRIES, MOST IN NEED. AN OVERALL BALANCE BETWEEN PRIORITIES IS NECESSARY. AN OVERVIEW MUST BE TAKEN OF ALL THE DEMANDS FOR "TOPPING UP" TO SEE WHAT CAN BE AFFORDED BY EACH COUNTRY IN TERMS OF ITS OWN PRIORITIES. THE JUDGMENTS MAY HONORABLY DIFFER. HE ASKED SHOULD THE UK CONTRIBUTE WHAT U.S. WOULD CONSIDER TO BE AN APPROPRIATE PERCENTAGE OF GNP TO THE IFC, WOULD THE U.S. BE WILLING TO MAKE A SIMILAR APPROPRIATE CONTRIBUTION

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R 301735Z OCT 75

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C O N F I D E N T I A L SECTION 02 OF 02 LONDON 16601

IN TERMS OF ITS GNP TO IDA? FINANCIAL ATTACHE REPLIED
THAT U.S. SUPPORT FOR IDA IS NOT DIMINISHED BY OUR BACKING
FOR THE IFC EXPANSION, BUT THAT WE BELIEVE A BALANCED IFC
AND IDA APPROACH IS ESSENTIAL. WIDDUP ASKED WHAT DOES US
MEAN BY BALANCED? IN REPLY TO QUESTION, FINANCIAL ATTACHE
SAID HE OBVIOUSLY COULD NOT GUARANTEE THAT U.S. CONGRESS
WOULD FULLY SUPPORT ALL RECOMMENDATIONS THAT THE ADMINIS-
TRATION MIGHT MAKE ON IDA REPLENISHMENT. WIDDUP AND
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BURGNER GAVE THEIR PERSONAL VIEW THAT BRITISH PARLIAMENT

WOULD FIND IT EASIER TO VOTE FOR IDA REPLENISHMENT THAN FOR IFC CAPITAL REPLENISHMENT, REFLECTING DIFFERING NATIONAL APPROACHES AND POLITICAL PRIORITIES.

4. COMMENT: DISCUSSION WAS CORDIAL, WITH WIDDUP STRESSING THAT IN TERMS OF ITS OWN CONTRIBUTIONS, HMG VIEWS APPARENTLY DIFFER WITH U.S. ON SOME OF THE MAJOR PRIORITIES IN THE OVERALL DEVELOPMENT AID FIELD. HE ECHOED POINTS ALSO STRESSED BY OTHER H.M. TREASURY OFFICIAL IN CONNECTION WITH CFF EXPANSION (SEPTTEL), WITH SO MANY NEW DEMANDS FOR FUNDS AND EXPANSION OF EXISTING OR CREATION OF NEW FACILITIES, AN OVERVIEW AND SHARPER ESTABLISHMENT OF PRIORITIES IS NECESSARY; QUESTION OF WHERE WILL FUNDS COME FROM NEEDS TO BE ANSWERED BEFORE PROGRESS CAN BE MADE; CARE MUST BE TAKEN NOT TO OVERLY AROUSE HOPES OF LDCS, CREATING EXPECTATIONS THAT WILL NOT BE MET.

RICHARDSON

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